GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2033
ANSWERED ON:13.03.2008
FIXATION OF CONSUMER PRICE OF LPG
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government taxes, other expenditures,commission and basic price are included in fixing consumer selling price of LPG in the country;

(b) if so, the consumer price of LPG at the end of year 2006-2007 and the itemwise break up of the said price;

(c) whether any formula has been arrived at for fixing basic price; and

(d) the reasons for giving priority to the said formulae?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHAPATEL)

(a)to(d): The retail selling price of domestic LPG is calculated by taking into account:

1. Issue Price
2. Freight up to the market
3. VAT @ 4% and other local levies
4. Distributor Commission

The Government had decided that the subsidies on Domestic LPG, in the Post-Administered PricingMechanism (APM) era starting from 1.4.2002, would be on a specified flat-rate basis for eachBottling Plant and would be met from the fiscal budget. After providing for the aforesaidsubsidy, the retail prices would then vary as per changes in the international oil prices.The subsidies are to be calculated as per the difference between cost price and issue priceof LPG, where:

Cost price of domestic LPG for any bottling plant will be calculated on import parity basis.Details of elements in cost price have been specified in PDS Kerosene and Domestic LPG subsidyscheme 2002 notified on 28.01.2003.

Issue Price for the bottling plants from which sales of domestic LPG are being effected priorto the commencement of the scheme, the issue price of the product as on 31st March 2002, willbe continued as such post 1st April'2002 till revised by the participating company.

The basic selling price of domestic LPG is uniform across all refinery locations. The finalselling price in markets varies on account of freight from refineries, local levies, deliverycharges etc. The retail selling price build up of domestic LPG at Delhi as on 1.4.2007 is givenbelow:

S. No.	Particulars	Rs/Cyl.
1	Ex-Storage Price	231.51
2	State Surcharge	0.03
3	Price Adjustment Factor	21.43
4	Notional Rail Freight	1.42
5	Freight	10.00
6	Company Billing Rate	264.39

7	Sales Tax	10.58
8	Sub Total	274.96
9	Dealer Commission	19.05
10	Sub Total	294.01
11	VAT (on Dealer Commission)	0.76
12	Retail Selling Price	294.77
13	Retail Selling Price (Rounded)	294.75

Despite the steep increase in international oil prices, the Government has not increased the price of domestic LPG over the last three years.

The issue of post APM pricing of Domestic LPG was re-examined by the Government in 2003-04 andit was decided that OMCs would not increase the selling prices of these products during 2003-04and that the resultant under-recoveries of OMCs would be partly shared/absorbed by the upstreamoil companies. Accordingly, an appropriate mechanism for sharing the under recoveries of OMCswas put in operation.